

Meeting the challenge of future financing for public higher education

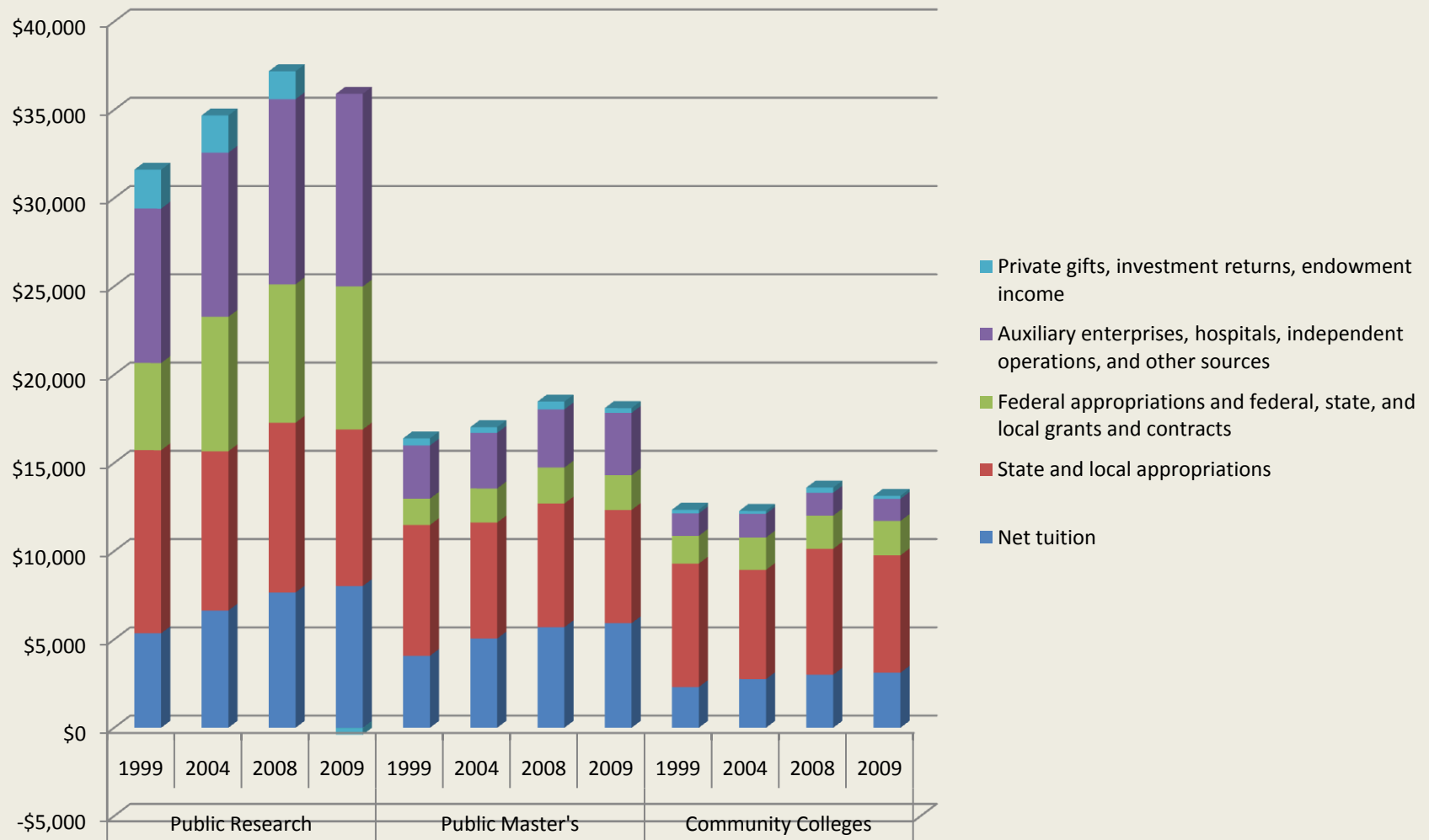
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Delta Cost Project

Missouri Higher Education Summit
Jefferson City, MO
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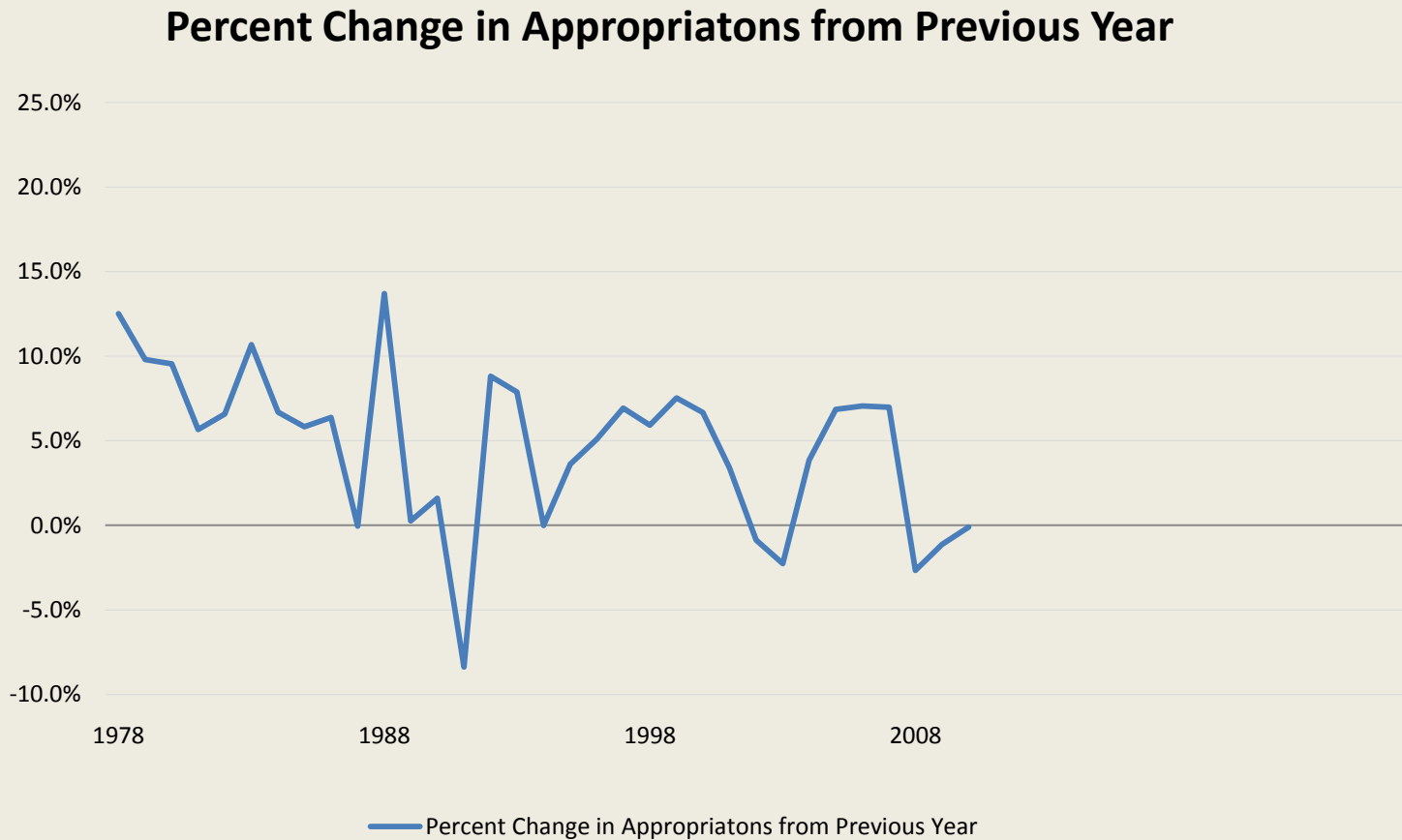
Financial realities forming the context for performance-based budgeting

1. State revenues will increasingly be a minority share – and likely a declining share– of revenues.
2. The problem of unpredictability.
3. The track record of state efforts to stabilize tuitions.
4. Increasing public questioning about both value and values.
5. Evidence about use of data to drive funding decisions.

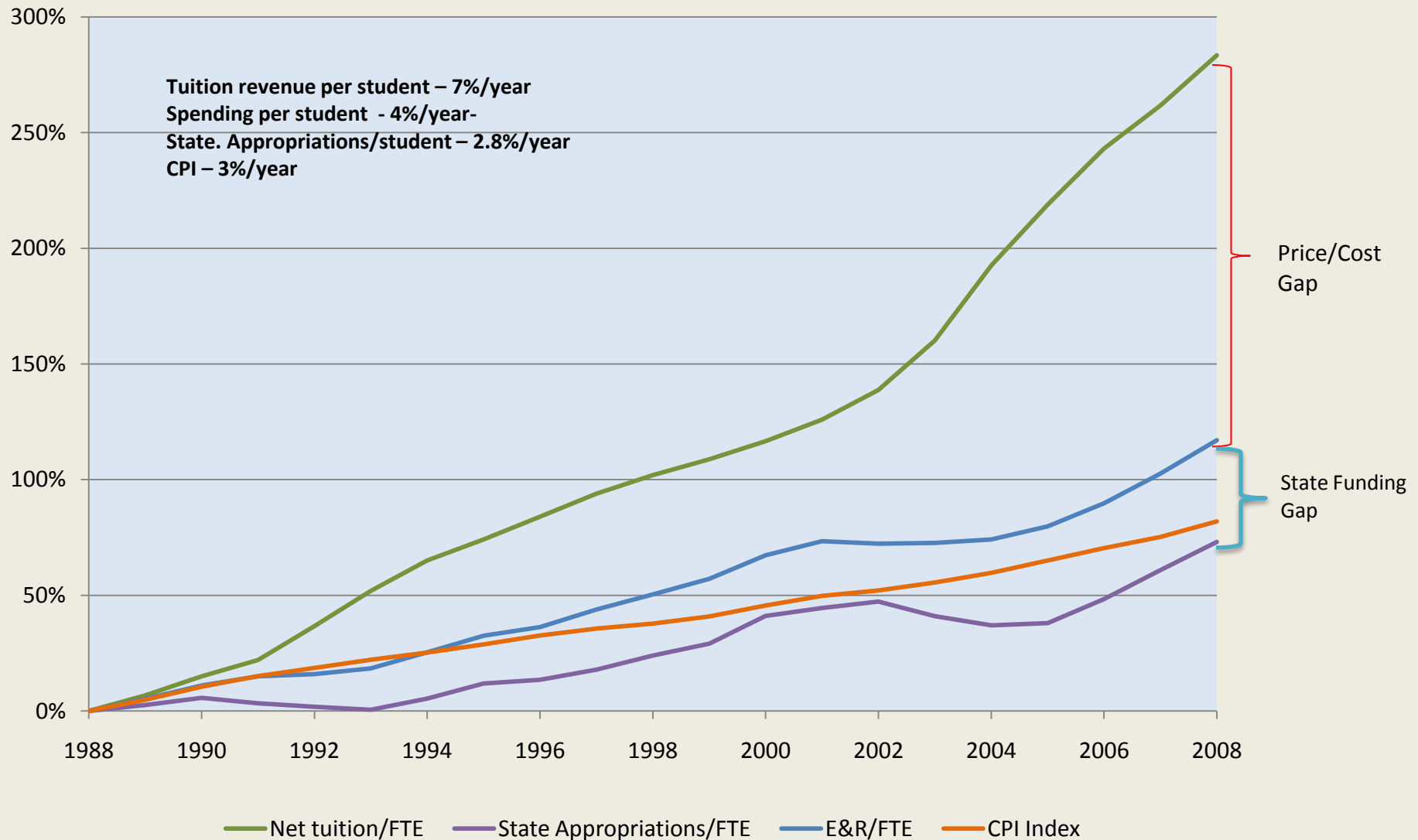
National patterns – revenues per student by source & type, public institutions



US – Annual Percent Change in State/Local Appropriations to Higher Education - 1978-2011



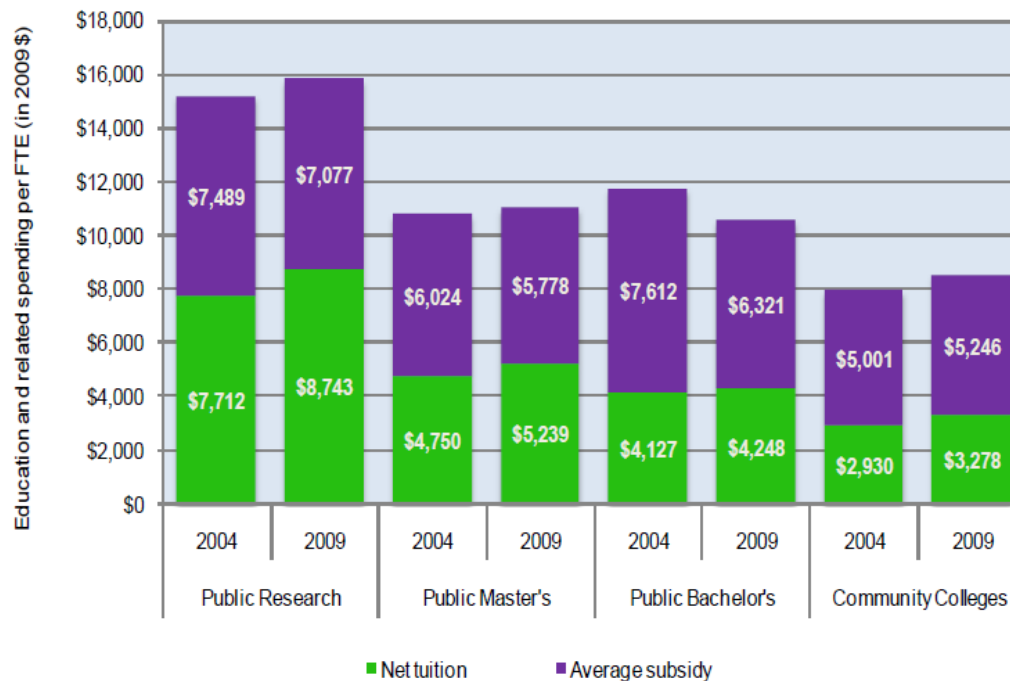
The unsustainable funding trends at public 4-year institutions, 1988-2008



Source: Delta Cost Project IPEDS database, 1987-2008, 22-year matched set.
Notes: Percent change since 1988 based on unadjusted dollar amounts.

Missouri

Average education and related spending per FTE student in Missouri, 2004 and 2009



Total number of students enrolled at public and private postsecondary institutions:

Missouri:	401,459
United States:	19,440,553

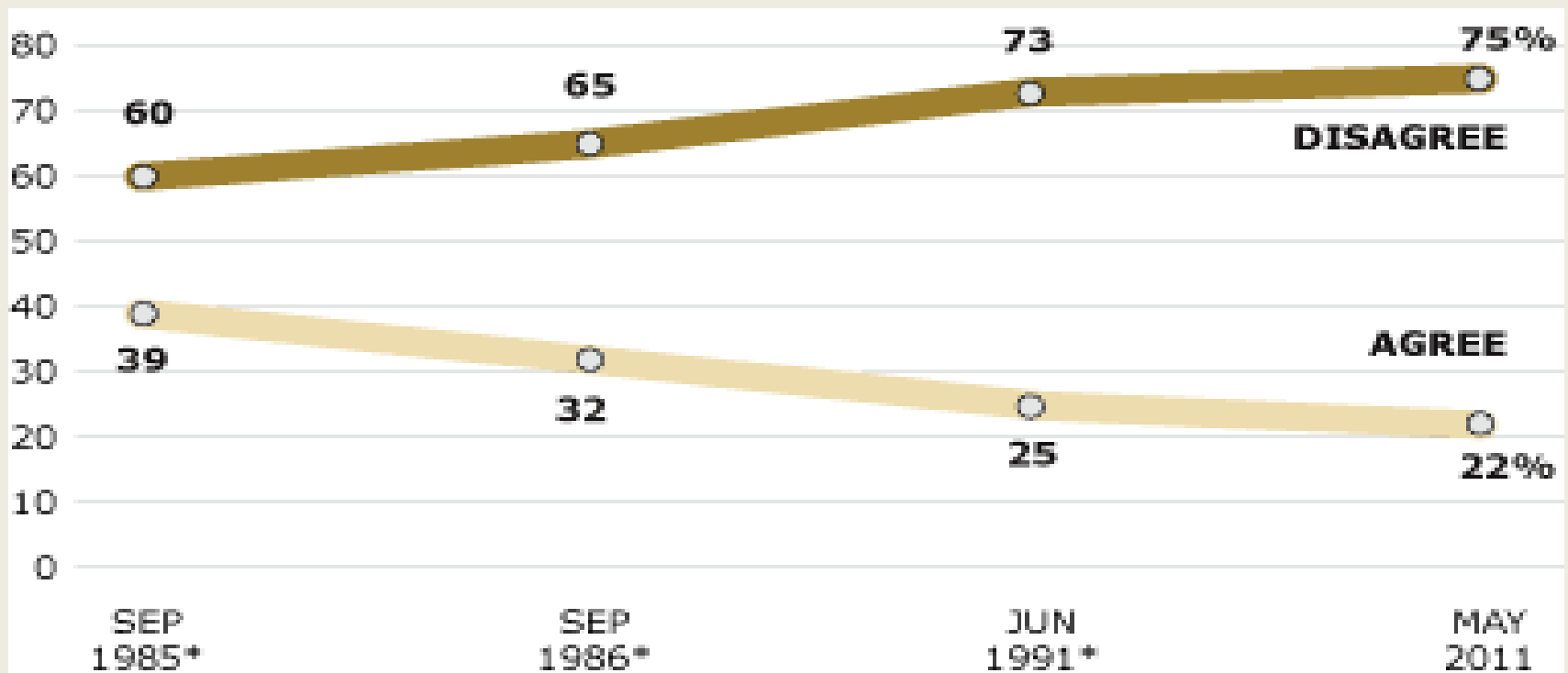
Percentage of students enrolled in public institutions:

Missouri:	57%
United States:	72%

Distribution of enrollments at public institutions:

	<u>MO</u>	<u>U.S.</u>
Research:	29%	30%
Master's:	25%	19%
Bachelor's:	6%	3%
Community Colleges:	40%	48%

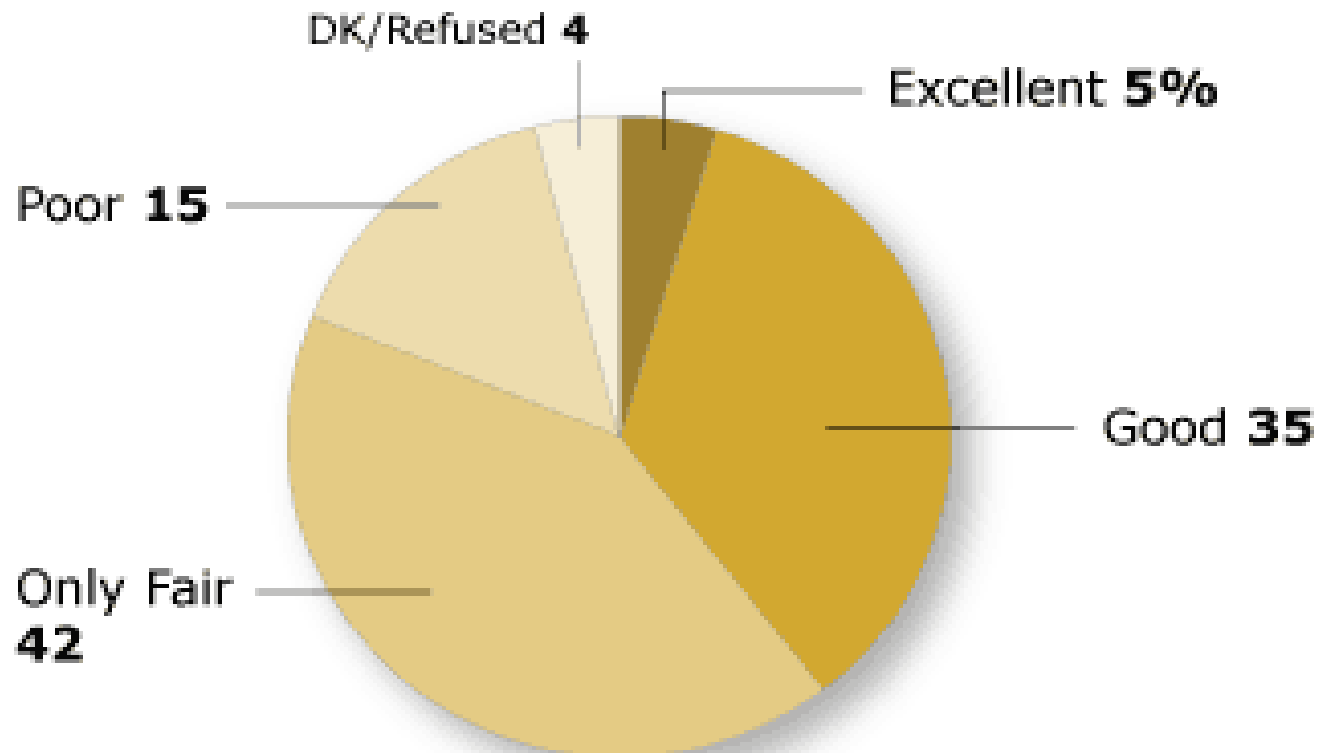
A declining share of Americans agree that a college education is affordable



* Council for Advancement and Support of Education

Do you agree or disagree with the following statement: College costs in general are such that most people are able to afford to pay for a college education. (*Asked of general public*)

Only 40% of the general public feel that the value for the money spent on higher education is excellent or good...



How would you rate the job the higher education system in this country is doing in terms of providing VALUE for the money spent by students and their families? (*Asked of general public*)

What budget model has your campus used in the current fiscal year (2010-2011) ?

	All institutions	Public	Private non-profit	Private for-profit
Formula	26.1%	34.8%	17.1%	22.2%
Incremental	60.2%	59.3%	62.3%	22.2%
Performance-based	19.6%	21.0%	62.3%	22.2
Revenue Centered (RCM)	14.2	11.8	17.1	0.0
Zero-Based	30.0	25.6	33.2	77.8

How effective (or ineffective) is your institution in the following areas?

% very effective (6/7) scale: 1 = not effective; 7 = very effective

	All institutions	Public research	Public masters	Public 2-year
Using financial data to inform campus decision-making	39.4%	36.2	39.3	42.8
Explaining/educating key stakeholders about financial challenges	37.6	42.6	39.3	39.9
Maintaining the infrastructure/physical plant	35.5	21.3	41.1	41.0
Aligning our financial planning with the institutional strategic plan	36.3	29.8	39.3	35.8
Using technology to enhance the institution's mission and finances	22.8	14.9	30.4	34.1
Operating as efficiently as possible	29.2	31.9	37.5	35.3

Goals for budget models

1. Align state funds with state strategic priorities
2. Improve outcomes (more students to degrees with high quality)
3. Increase efficiency in use of funds (reduce unnecessary spending and control growth in tuitions)
4. Improve data-driven decisions about funding and spending
5. Build public confidence in institutional stewardship

Characteristics of effective approaches to higher education funding models

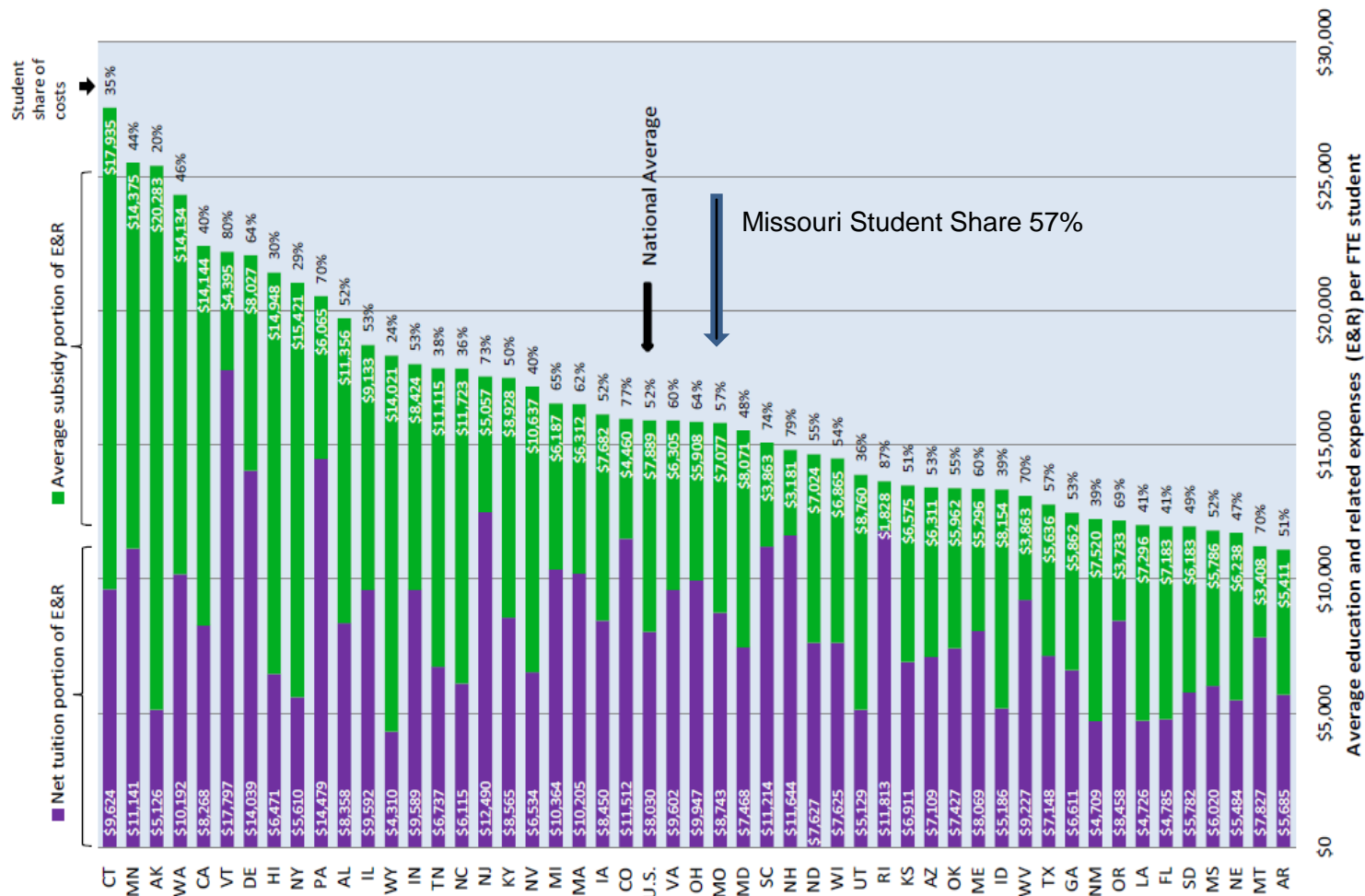
1. Connect to state public agenda
2. Readily transparent to multiple stakeholders - promote public confidence in stewardship, connect to both state and institutional audiences
3. Enhance capacity for strategic finance within the institutions
4. Differentiate goals and metrics for different types of institutions
5. Use performance on downside as well as upside
6. Pay attention to implementation as well as design
7. Address tuition policies and practices

Tuition policies in the context of performance-based budgeting

1. State and institutions share responsibility – and the outcome will always be negotiated
2. Principle of shared responsibility – state (core funding), institution (cost management), students (reasonable share of costs)
3. Differential pricing (by level of instruction and program; tuitions should rise with costs and by level)
4. Role for out-of-state and international students
5. Match increases in tuition to increases in need-based grant aid
6. Revenues from tuition should stay with the institution where student is enrolled

Price/Subsidy/Spending per student – Public Research Institutions, 2009

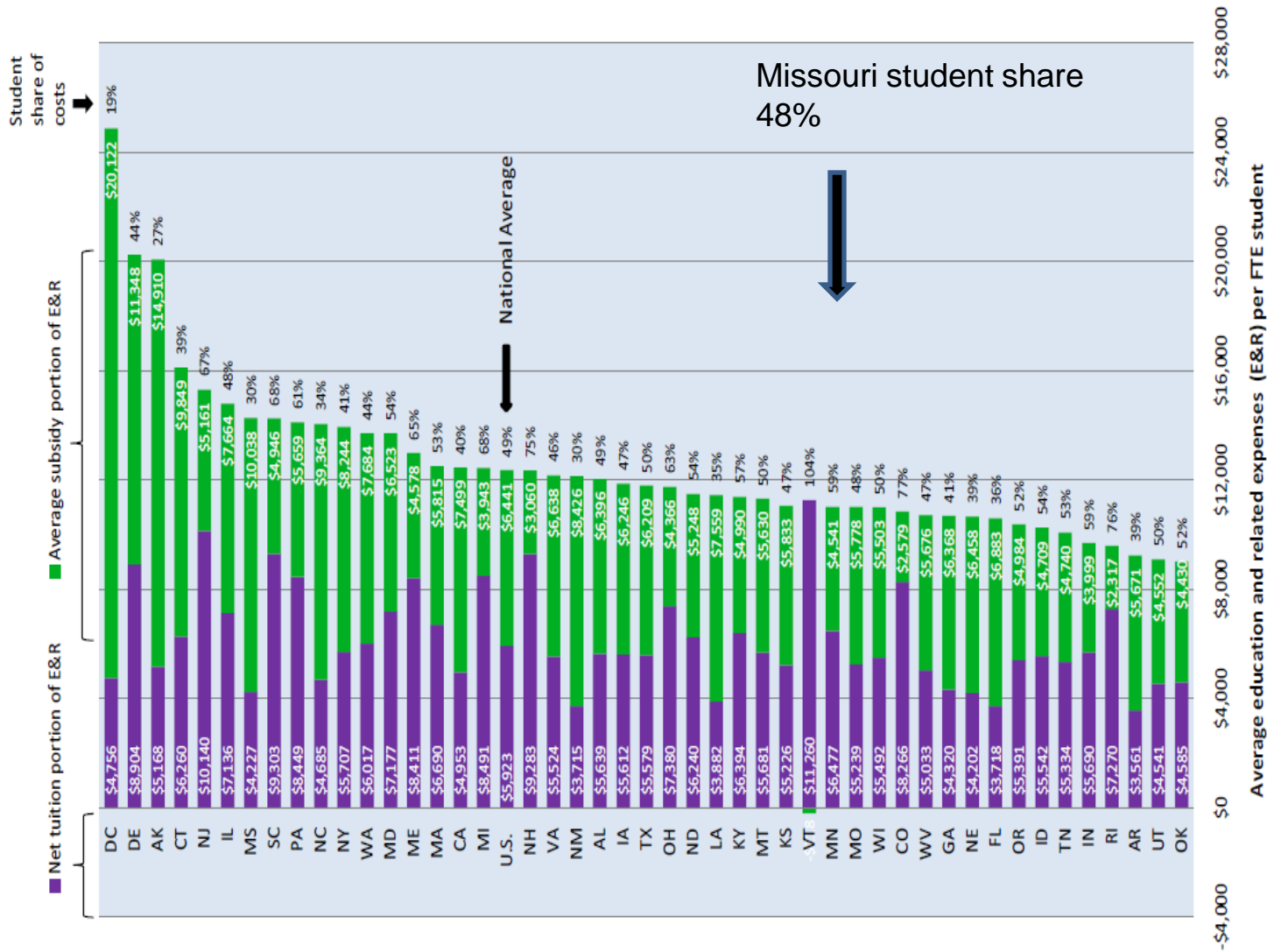
Average education and related spending per FTE student at public research institutions by state, 2009



Source: Delta Cost Project IPEDS state database, 2004-2009.

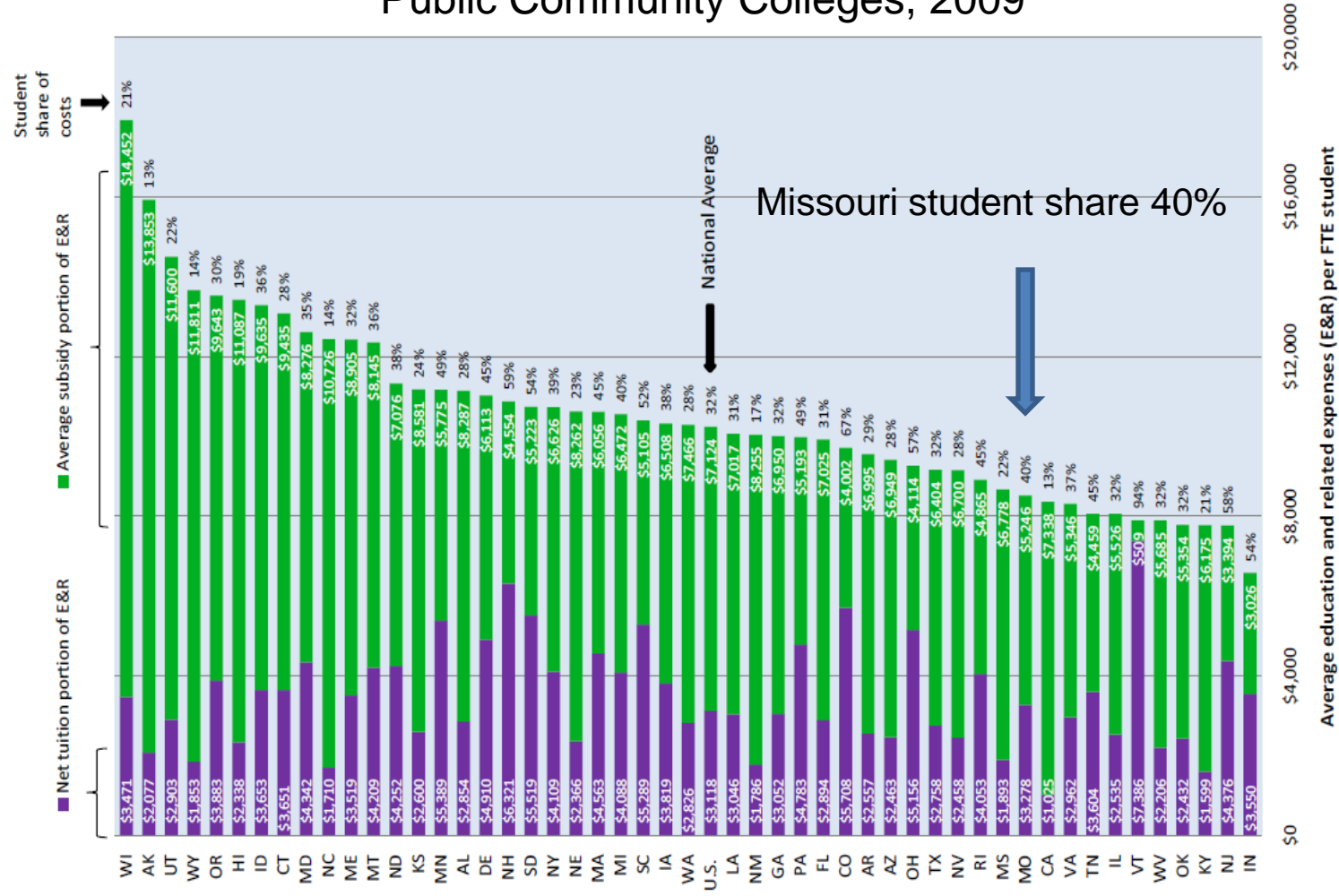
Price/Subsidy/Spending per student – Public Masters' Institutions, 2009

Average education and related spending per FTE student
at public master's institutions by state, 2009



Source: Delta Cost Project IPEDS state database, 2004-2009.

Average education and related spending per FTE student at public community colleges by state, 2009



Source: Delta Cost Project IPEDS state database, 2004-2009.